

ORIGINAL TRANSCRIPT

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1
2 MEETING OF THE GOVERNING BOARD
3 OF THE CHICAGO DEVELOPMENT FUND
4 NEW MARKETS TAX CREDITS PROGRAM
5
6

7 City Hall, Room 1000
8 121 North LaSalle Street
9 Chicago, Illinois

10 Tuesday, September 11, 2012
11 4:00 p.m.
12
13

14 Andrew Mooney, Chairman
15 Stephanie Neely
16 Alexandra Holt
17 Rafael Leon
18 Thomas Tunney
19 Lois Scott
20 Tracy Sanchez
21 Mitchell Holzrichter
22 Tony Smith
23 Benjamin King
24 Robert Stephan

Reported by: Karen M. Kane

1 CHAIRMAN MOONEY: We will call the board
2 meeting for the Chicago Development Plan together.
3 Those present are myself, Andrew Mooney as
4 Chairman, Stephanie Neely, Alex Holt, and Lois
5 Scott.

6 Let's see. The first matter on the
7 agenda is the approval of minutes of the last
8 meeting. Is there a motion?

9 MS. NEELY: Motion.

10 MS. SCOTT: Second.

11 CHAIRMAN MOONEY: It's been moved and
12 seconded.

13 All in favor say aye.

14 (Chorus of ayes.)

15 CHAIRMAN MOONEY: Okay. We'll move to a few
16 reports and then we've got, I think it's three
17 resolutions.

18 MR. SMITH: Five, actually.

19 CHAIRMAN MOONEY: Oh, five.

20 MR. SMITH: Yeah. Great. Thank you.

21 Tony Smith with S.B. Friedman &
22 Company.

23 So our traditional status update on
24 previously approved and closed transactions.

1 So I'm happy to report that all of
2 the transactions that were approved at the last
3 board meeting, all three of them -- I'm sorry, I
4 guess two at the most recent meeting -- everything
5 that's been approved so far in 2012 has closed
6 right up through the Leslie Shankman Orthogenic
7 School and the Hyde Park Day School project back in
8 June.

9 So an updated map here showing the
10 distribution of those financed investments around
11 the City of Chicago.

12 In terms of construction status, 11
13 out of the 16 are substantially complete and open.
14 And then five projects, which are the five most
15 recent closings -- Truong Enterprises is actually
16 having a grand opening in a couple of weeks and
17 we're going to pass on an invite from Truong to the
18 members of the board as well as the advisory board,
19 you're all cordially invited. And being an ethnic
20 produce distributor, they'll probably have a nice
21 spread.

22 MS. NEELY: Just to entice you a little bit.

23 MR. SMITH: Oakwood Shore Terraces, which
24 closed in March, Chicago Family Health Center,

1 Swedish Covenant Hospital, and Hyde Park Day
2 School, which all closed in June. So those are
3 all kind of in the early stages of construction.

4 So, again, an update of the closed
5 deal types by number: Community Facilities still
6 of the heaviest weighting within the portfolio, but
7 within that, a good balance, so five community
8 facility education projects, four health care
9 projects, two other types of community facilities,
10 a job training, and then the Salvation Army Kroc
11 Center, and then five industrial or business
12 expansion projects to date.

13 In terms of overall status of
14 allocations, James Simmons from our office has
15 created this nifty new chart to show credits coming
16 in and then getting deployed from each of the four
17 rounds that CDF has successfully been awarded so
18 far.

19 So you could see this consistent
20 pattern of getting award and then having about
21 \$80 million or so unclosed allocation and then
22 deploying it.

23 The rate of deployment has increased
24 in most recent years. And so we're totaling

1 \$184.6 million of deployed allocations since 2008,
2 and then currently \$53.45 million is unclosed.

3 MS. NEELY: And how much of that is from 2011
4 Round 8? How much do we have of that?

5 MR. SMITH: Let's see. I believe it's
6 \$6.7 million of the remainder is from the 2010,
7 the Round 8 allocation, and the rest is from the
8 Round 9.

9 MS. NEELY: I'm sorry. \$6.7 is from Round 8?

10 MR. SMITH: I believe so, yeah.

11 MS. NEELY: Okay. And then the rest is
12 Round 9.

13 MR. SMITH: And then the rest is Round 9. So
14 the first two rounds are fully closed out.

15 So \$238 million total in allocations
16 to date. Again, that \$184.6 closed. No deals
17 currently in the closing process, but three deals
18 on the docket for today that would begin closing
19 very quickly.

20 And then the Roseland Plaza
21 transaction is still up in dry dock getting
22 restructured with a new lender and tax credit
23 investor, with a current projected size of \$12.3
24 million. So that would come back to the board with

1 a new structure if and when it reaches a state of
2 readiness for that.

3 So if you assume that that's going
4 to happen --

5 CHAIRMAN MOONEY: Is there a drop-dead date
6 on that when we need to have these placed?

7 MR. SMITH: Yeah, there are drop-dead dates
8 with each of the allocations CDF has remaining.
9 We're not close to any of those dates, though. I
10 think it's a five-year window from initial
11 execution of each allocation agreement.

12 So the Round 8 allocation agreement
13 I think was signed in April of 2011. So it will be
14 five years from then.

15 It's really more -- I call those
16 the stick deadlines. It's really more the carrot
17 deadlines that are kind of driving CDF at this
18 point to remain eligible for future allocations.

19 CHAIRMAN MOONEY: I was concerned
20 specifically about the Roseland project.

21 MR. SMITH: Oh, okay. With Roseland, CDF has
22 no obligation currently to tie up credits for that
23 deal; but it being a high priority of both CDF and
24 the City of Chicago, it seems to continue to make

1 sense to at least sort of soft circle the \$12.3.
2 But, yeah, if deadlines cropped up, it would be an
3 obligation to keep the credits open.

4 So in terms of just general
5 competitive dynamics, the New Markets world remains
6 fairly aggressive in terms of industrial pricing
7 and competition for deals, so that's good news for
8 CDF's borrowers mainly.

9 Pricing was in the low 70s.
10 70 cents per dollar of tax credit a year ago is now
11 pretty consistently in the 76 to 80-cent range. So
12 the Shankman deal closed at 76 cents and the
13 Swedish Covenant deal closed at 76 cents. Two of
14 the deals we see before us today, one is at 79 and
15 one is at 80. So we're kind of pushing that upper
16 range of historical pricing.

17 It's still sort of an arms race
18 among different CDEs in the industry to deploy
19 quickly, particularly CDF's rate of allocations,
20 and deployment is kind of up in the range of the
21 national footprint CDEs. Many of those have
22 committed. Most or all of the allocations they got
23 in this most recent round, February 2012 round, and
24 are rapidly trying to close that allocation out.

1 Treasury since our last board
2 meeting announced the 2012 QEI deadline, so that's
3 the deadline by which CDF needs to capitalize a
4 certain amount of its past allocation to be
5 eligible for more. So that's really one of the
6 most relevant deadlines that we're looking at right
7 now.

8 CDF has minimum percentages as shown
9 in this table of each its prior round allocations
10 that would need to be fully closed out to be
11 eligible for future credits. So if you see, the
12 fourth round threshold the CDF has met by closing
13 out all of its fourth round credits. The same with
14 the seventh round.

15 With the eighth round credits, the
16 minimum threshold is 40 percent and CDF sits at
17 63 percent, so no problem there.

18 It's really the ninth round
19 allocation where CDF is just shy of the minimum
20 percentage that would need to be closed by
21 October 31st of this year in order to be eligible
22 for new allocation.

23 MS. NEELY: And with what we have on the
24 table, do you think we're going to make that, or

1 no?

2 MR. SMITH: Well, we have a resolution on the
3 table today to authorize prefunding, which is
4 exactly what CDF did last year with the Oakwood
5 Shores transaction.

6 MS. NEELY: And where will that take us?
7 What percent?

8 MR. SMITH: That would -- well, there's some
9 flexibility in the prefunding, but that would take
10 CDF I think well over 60 percent --

11 MS. NEELY: Okay. So we should be okay.

12 MR. SMITH: Yeah, yeah. There's a way to
13 close credits by October 31st essentially.

14 CHAIRMAN MOONEY: Let the record show that
15 Alderman Tom Tunney has joined us.

16 MR. SMITH: And that is it as far as just the
17 general status update.

18 CHAIRMAN MOONEY: Okay. Any questions on any
19 of the projects?

20 Okay. If not, let's go on to the
21 next.

22 MR. SMITH: Sure. So the 2012 application
23 for New Markets credits.

24 So we've tried several times to find

1 meeting dates that were further in advance of the
2 application deadlines so there could be more
3 discussion about this; but, unfortunately, as James
4 from our office can attest, we got bounced around
5 quite a bit and we ended up -- here we are on one
6 day before the submittal deadline to talk about the
7 application.

8 So hopefully the Board will agree
9 that it's a good idea to submit.

10 MS. NEELY: That will make it interesting
11 enough. Give you some gray hair.

12 MR. SMITH: That's right. Well, just to make
13 you happy, CDF would be asking for the maximum this
14 year because Treasury has lowered the maximum to
15 100, and CDF has a reasonable basis to ask for
16 \$100 million based on its \$50 million plus a year
17 deployment track record, and the Treasury's
18 guidance that you should ask for roughly a two-
19 year deployment allocation.

20 So this is a provisional round. So,
21 in other words, Treasury is taking in applications
22 and scoring them, then holding them until -- unless
23 and until Congress takes action to reauthorize and
24 extend the New Markets program.

1 So there's been some hopeful signs.
2 Senate Finance Committee passed a two-year
3 extension earlier this year at \$3.5 billion a year,
4 so the same size the program has been for the last
5 two years.

6 But it's going to be a showdown,
7 basically, at the end of this year regarding tax
8 policy in general.

9 The last time New Markets got
10 extended, it was in late 2010 attached to the Bush
11 tax cut extension. This year it could be tied to
12 any kind of compromise that happens before the debt
13 ceiling deal kicks in or as part of some kind of
14 massive tax reform. Or your guess is as good as
15 mine, if not probably better, actually.

16 It will be a -- probably a very
17 highly competitive round, again, just anecdotally,
18 based on talking to folks in the industry.

19 So last year 70 awards were given
20 out. This year Treasury sent some signals that
21 they might do slightly more awards, so a slightly
22 smaller average award size. But the application
23 count keeps skyrocketing with each round. So as
24 competitive or more than last year's --

1 MS. SCOTT: How many applications were there
2 last year?

3 MR. SMITH: 314.

4 MS. SCOTT: And they awarded about 70?

5 MR. SMITH: Yes.

6 MS. NEELY: And last year we had a huge
7 debate about how much money to ask for.

8 MR. SMITH: Right.

9 MS. NEELY: And we decided to up it. So
10 what's your case for this hundred million? So just
11 because it's been --

12 MR. SMITH: Yeah, yeah. Last year was 111.
13 The ceiling is 125. So, yes, CDF asked for 111,
14 but this year capped at 100.

15 MS. SCOTT: You don't get any brownie points
16 for asking for 94, do you?

17 MR. SMITH: 98.6?

18 You know, we haven't really seen a
19 pattern of that. I mean, it's good to have an ask
20 that ties to your real track record in your
21 pipeline. But CDF has enough of a track record at
22 this point that 100 is reasonable.

23 MS. SCOTT: Okay.

24 MS. NEELY: Do we need a motion for that?

1 MR. SMITH: Well, a little bit more on the
2 application first.

3 So some just highlights as far as
4 what's in the draft we're working on.

5 So continuing CDF's practice of
6 providing below market senior and subordinate debt
7 products, focusing on flexibility, particularly
8 trying to get some smaller deals done.

9 CDF has actually already done a
10 couple deals that are kind of on the small size of
11 what New Markets participants are willing to do.

12 So Imperial Zinc was \$6 million back
13 in 2009; Charter Steel was \$4.9 million in 2010.
14 So those are relatively small in the New Markets
15 world.

16 CDF is stating in its application
17 that it wants to continue to serve those small
18 borrowers to try and make the program accessible,
19 choose as wide a range of businesses as it can,
20 continuing to emphasize the very highly distressed
21 parts of the city. So 100 percent of CDF's deals
22 have been in areas of greater economic distress,
23 and they continue to be in greater economically
24 distressed census tracts with the 2010 census. So,

1 really, not just areas that barely qualify, but
2 areas that are truly in need.

3 In terms of project categories, it's
4 kind of a continuation and slight expansion of what
5 CDF has done so far.

6 So industrial has been a big focus,
7 but there's a couple small business deals,
8 including a transportation company, that are coming
9 up in the pipeline that seem to suggest some good
10 interesting community impacts and seem relatively
11 consistent with what CDF has done so far.

12 And then continuing community
13 facilities, grocery-anchored retail and then
14 sustainability projects.

15 We have one such sustainability
16 project on the table today with the ACE Solar
17 transaction.

18 MR. TUNNEY: I have a comment -- question and
19 comment, not being on this committee for that long
20 a time, though, is this high quality job
21 creation --

22 MR. SMITH: Uh-huh.

23 MR. TUNNEY: -- and industrial expansion of
24 small businesses. I mean, since it is such a

1 competitive award, I would think we would try to
2 have more zinc companies, more job -- creators of
3 good jobs especially in distressed areas.

4 I mean, all due respect, a grocery
5 store is great for some areas and it does have
6 jobs, but you have to have disposable income to be
7 able to shop and you have to have a decent job.

8 And, you know, I'm just -- you know,
9 I just feel sometimes that I'd like to see more job
10 creators at medium and, you know, whatever --
11 whatever they call it -- living wages, so to speak,
12 you know.

13 So I mean, I just -- you know, I
14 just -- I think whatever we get is great, but, you
15 know, I guess as chairman of economic development,
16 I just would like to see, you know -- you know,
17 especially in distressed areas, that they give
18 some, you know, sustainable jobs.

19 MS. NEELY: How many jobs are typically
20 created with a grocery store?

21 MR. SMITH: Let's see. Well --

22 CHAIRMAN MOONEY: It depends on the size of
23 the store.

24 MR. SMITH: A wide range.

1 MS. NEELY: Let's talk about an Aldi's which
2 we've looked at before or something like that.

3 MR. SMITH: Those create relatively few. In
4 fact, Aldi's has sort of a light staffing model,
5 like 10 or 15 jobs.

6 I think the Wal-Mart Neighborhood
7 Market that's on the docket today, that's somewhere
8 in the 100 kind of range of jobs there.

9 MS. NEELY: So that's kind of --

10 MS. SCOTT: They're quality jobs, I think.

11 MS. NEELY: But it's also fulfilling the food
12 desert issue, which is very big, you know. I agree
13 with you, but -- job creation is certainly
14 important, but the food desert issue can't be --

15 MS. SCOTT: Do we have a pipeline that we can
16 select and pick and choose, or are we still trying
17 to fill a pipeline?

18 MR. SMITH: You know, the pipeline is
19 starting to get to the point where there may need
20 to be some hard decisions in the next couple board
21 meetings.

22 But, for example, that
23 transportation company I mentioned, that's 100
24 new jobs and there's -- they're fairly accessible,

1 actually. You only need a high school education
2 and drug free and a clean driving record, basically,
3 to be eligible. And there's about \$3500 per job of
4 training that the company provides.

5 So it's not an industrial job. But
6 I think -- I think that's sort of what you're
7 implying is sort of an attractive deal for --

8 MR. TUNNEY: To get people working so they
9 can consume more Aldi products.

10 MR. SMITH: Right.

11 MR. TUNNEY: It's sad. It's sad, being from
12 the South Side and seeing what's happened.

13 MR. SMITH: Right. We definitely -- we
14 generate some statistics about CDF's past portfolio
15 as part of the application, and we'd be happy to
16 circulate, that sort of analyzes the job quality
17 across the deals CDF's done so far, as well as the
18 accessibility. And there's some pretty interesting
19 and actually fairly compelling outcomes from even
20 some of those community facility deals where you
21 don't think of jobs as being the point.

22 MS. NEELY: Well, I think the model,
23 though -- and feel free to correct me -- the model
24 is kind of changing in terms of jobs, too, in this

1 economy. The full-time benefit paying jobs are few
2 and far between. And so even if it's a part-time
3 job, a job is a job. And, you know, I don't think
4 we should just foo-foo that. I agree that we
5 should look at which ones are -- which are -- which
6 we could prioritize, but, you know, a job is a job.
7 We need to make sure that we are feeding people
8 healthy choices in terms of food, too.

9 CHAIRMAN MOONEY: It's always a balance.

10 MS. NEELY: It is. It is.

11 CHAIRMAN MOONEY: Are you finished on the
12 application?

13 MR. SMITH: Yes. Thank you.

14 CHAIRMAN MOONEY: Okay. Any other questions
15 or comments?

16 If not, I'll take a motion to --

17 MS. SCOTT: Motion.

18 MS. NEELY: Second.

19 CHAIRMAN MOONEY: It's been moved and
20 seconded. All those in favor say aye.

21 (Chorus of ayes.)

22 CHAIRMAN MOONEY: We have three projects?

23 MR. SMITH: We do, yes.

24 CHAIRMAN MOONEY: I'm sorry. I neglected,

1 and I shouldn't have, didn't intend to, that Rafael
2 Leon, who is chairman of our Advisory Committee, is
3 here with us today.

4 The Advisory Committee met a week or
5 so ago to review all of these projects with us.
6 And before we vote on the next one, I would ask
7 Rafael to give us the input from the Advisory
8 Committee.

9 Tony, go ahead.

10 MR. SMITH: Thank you.

11 So here's a healthy foods deal. So
12 very apropos to the discussion we just had.

13 This project is called Shops and
14 Lofts at 47. It is a mix-use project at 47th and
15 Cottage Grove.

16 This project has gone through a
17 number of different iterations throughout its --

18 MS. NEELY: Is it going to look like this
19 (indicating)?

20 MR. SMITH: Yeah.

21 Throughout the project history
22 there's been an attempt to sort of change the tone
23 of development in that corridor and, in fact, a
24 couple of the iterations of the project were just

1 single-story surface retail with a parking lot.

2 And so I think the planning process
3 in the 4th Ward has sort of driven the rendering
4 you see and basically construction that matches it.

5 MS. NEELY: So these apartments, are these
6 market rate apartments? Are these condos? What
7 are these?

8 MR. SMITH: They are rental apartments. At
9 one point back in '06-'07 they were condos, but
10 that's not possible --

11 MS. NEELY: I see. Market rate rentals?

12 MR. SMITH: They are mixed income. So it's
13 96 total units. 72 of those are restricted
14 affordable, including some CHA replacement units.
15 The rest are market.

16 MS. NEELY: So it's mostly a CHA replacement.

17 MR. SMITH: Mostly I think it's the income
18 restricted affordable. It's non-CHA.

19 MS. NEELY: How many CHA replacement?

20 MR. SMITH: Let's see. I think we -- no, we
21 don't have it here. I'm sorry.

22 CHAIRMAN MOONEY: They become a -- they take
23 a master lease, and then the folks who are eligible
24 on the waiting list will qualify and are passed by

1 management.

2 MS. SANCHEZ: They provide capital dollars --
3 the Shops and Lofts. Yeah, they provide capital
4 dollars and then they have -- they provide annual
5 contribution contracts for the operating subsidy.
6 They basically pay the operating costs of the
7 building for the CHA units. So that they pay a
8 break even; so that no money is lost on operating a
9 CHA unit. They give the developers -- they
10 reconcile at the end of the year on them.

11 MS. NEELY: This is my neighborhood and
12 I've never heard the term "Grove Park" in my entire
13 life.

14 CHAIRMAN MOONEY: I think it's wrong. It's
15 not Grove Park. I don't know how that crept in
16 here.

17 MS. NEELY: Well, I've never heard of it.

18 MR. TUNNEY: Can I ask the number of parking
19 spaces?

20 MR. SMITH: That we would have to send to you
21 after the meeting.

22 MS. NEELY: So there's going to be a lot on
23 sort of the back -- of the south side of it, I
24 assume?

1 MR. SMITH: It's sort of a full lot
2 development. So here's the aerial currently
3 (indicating). Area shown in yellow. So all of
4 that area will be redeveloped.

5 The parking is in the interior of
6 the site, a little bit at surface and then much of
7 it underground and then structure. So it's a very
8 urban style format, very dense, very high quality.

9 So the primary tenants in the
10 commercial piece, which is the subject of --

11 MR. TUNNEY: We have that even at like
12 Southport and -- at the Jewel there. It went from
13 surface to -- kind of interesting.

14 CHAIRMAN MOONEY: So it can only accommodate
15 parking on the side. But the Wal-Mart area at
16 least has a good security program, so we'll see.

17 MS. NEELY: We got to stay on top of that.

18 CHAIRMAN MOONEY: Wal-Mart is a -- having a
19 quality tenant like Wal-Mart is important to making
20 this thing work.

21 MS. SCOTT: I know this is an important
22 project. I just want to make sure I understand the
23 project economics.

24 So overall how much is public money

1 going into this project and how much is private
2 money going into the project?

3 MS. NEELY: Yeah, what's the total? Do we
4 have all the numbers?

5 MR. SMITH: We have the numbers on the
6 commercial side in more detail, and then on the
7 residential side we have less. I apologize, the
8 numbers are swimming around in my head. Let me
9 pull this up.

10 CHAIRMAN MOONEY: We're providing TIF, and
11 CHA land.

12 MS. NEELY: We're providing the land?

13 CHAIRMAN MOONEY: Uh-huh. We acquired the
14 property. It used to be a liquor store, as you
15 will recall. They had to move all the liquor.

16 MR. SMITH: So the commercial side has
17 \$6.8 million of senior debt and about half a
18 million of sponsor equity in it. Those are truly
19 private funds, out of about \$12 million.

20 MR. TUNNEY: 6.8. And what was the other
21 one?

22 MR. SMITH: About half a million of sponsored
23 equity. So \$7.3 million of non-TIF, non-New Market
24 sources in the commercial piece.

1 CHAIRMAN MOONEY: As is typical in these kind
2 of projects, we have to be careful in the mix of
3 the commercial funding with the residential part.
4 And the New Markets goes into the commercial piece
5 of this.

6 MR. SMITH: Right.

7 MS. SCOTT: And the housing portion is about
8 how much?

9 MS. SANCHEZ: The housing portion at this
10 time is \$33 million. It's \$16 million tax exempt
11 bonds. On this project we've got \$550,000 of
12 tentative home loans. There will be tax credits
13 generated from the bonds. Another approximately
14 \$900,000. And we have tax credit equity from the
15 bonds of approximately \$8.4 million. And we've got
16 TIF of about \$11.4 million.

17 MS. SCOTT: So about \$20 million of that
18 33 is public, ballpark, something like that?

19 MS. SANCHEZ: Ballpark.

20 CHAIRMAN MOONEY: Tracy, why don't you send
21 around after the meeting --

22 MS. SANCHEZ: I have a breakdown of the usage
23 for the commercial and residential.

24 CHAIRMAN MOONEY: I have to give credit to

1 the developers who are from out of town. They have
2 stuck with this thing through thick and thin. It's
3 called Skilken Development. They're from Columbus,
4 Ohio. And they were found actually by the
5 neighborhood based on a market study that was done
6 at ICSC back in like 2005, maybe, 2006. And they
7 had the project ready to go on the market. They've
8 stayed with it ever since.

9 MS. NEELY: When is this scheduled to break
10 ground?

11 MR. SMITH: They were shooting for October or
12 so, but I think given the complexity of the closing
13 with the New Markets and the housing, it will
14 happen around year-end. And they'll break ground
15 shortly thereafter.

16 MS. SCOTT: Just an issue I think that we
17 should have on the record, and that is whether
18 the New Markets Tax Credit program should be
19 benefitting companies like Wal-Mart. I think we
20 should address that.

21 CHAIRMAN MOONEY: Well, there's no direct
22 payment or subsidy to Wal-Mart.

23 MS. NEELY: And we had something similar. We
24 had the Aldi's deal that we were doing, but they

1 were just going to be the anchor tenant. So
2 they're not actually benefiting, there's just a
3 structure that they're going to occupy.

4 MR. SMITH: They're paying north of \$15 a
5 square foot, which is pretty healthy. It's the
6 cost of mainly structured parking, trying to jam it
7 all into the site and have this dense mix of uses
8 that's creating the gap.

9 MS. NEELY: And just going back to your
10 point, the \$20 million of so-called public money,
11 does that include the land?

12 MR. TUNNEY: Is Wal-Mart the only tenant?

13 MR. SMITH: They're 41,000 out of the 55,000
14 total. So they're the only pre-leased tenant. The
15 rest will be kind of smaller, you know, coffee
16 shop, restaurant, sandwich shop, kind of retail.

17 MS. NEELY: Has anyone committed, you know,
18 Starbucks or anybody like that, committed?

19 MR. SMITH: No. I think the tenant strategy
20 is -- or the developer strategy is to break ground,
21 start to go vertical, because then you can command
22 better rents with prospective tenants after that
23 point. And Wal-Mart is enough pre-lease to get to
24 that point.

1 CHAIRMAN MOONEY: We wouldn't be at this
2 point without the Wal-Mart lease.

3 Any comments?

4 MR. SMITH: So job creation --

5 MS. NEELY: You said 100?

6 MR. SMITH: I said 100, and I was incorrect.
7 There's 50 full-time public jobs.

8 MS. NEELY: That's Wal-Mart.

9 MR. SMITH: Yeah, that's the Wal-Mart
10 permanent jobs, yeah. And we don't have specific
11 tenants yet for the rest of the space. But that
12 will create maybe another -- another 15 or 20 or so
13 will be my best guess at this point.

14 So full-time Wal-Mart employees in
15 Illinois typically receive about \$12.85 an hour.
16 They do have access to benefits and 401(k), and
17 then they get in-store discounts.

18 MS. NEELY: And are they -- is there any type
19 of requirement that they hire from within the
20 neighborhood?

21 MR. SMITH: I believe the developer has an
22 arrangement with Quad Communities Development
23 Corporation to emphasize local hiring, and there's
24 also a couple of special covenants on Wal-Mart's

1 merchandising; there's like a local sourced
2 products section, and they won't sell certain
3 formats of liquor in the store, in response to the
4 black community's request.

5 MS. NEELY: I'm sorry, what does that mean?

6 MR. SMITH: I think it means 40-ounce beer.

7 MR. TUNNEY: Or pints.

8 (Discussion off the record.)

9 CHAIRMAN MOONEY: Back on the record.

10 MR. SMITH: So we also took a quick look at
11 the leakage concept, which is basically an analysis
12 using ESRI business analysts, which is a map-based
13 demographic software that looks at how much grocery
14 demand exists in the neighborhood versus how much
15 grocery sales activity is currently taking place.

16 And so if there's an imbalance
17 between those two, it either means that the area is
18 importing sales, in other words, selling more than
19 its current residents demand, and so getting
20 out-of-area traffic; or the opposite. In this
21 case, it's definitely a deficit of retail sales in
22 the area of about \$46 million within grocery, which
23 is the primary category that Wal-Mart would serve.

24 MS. NEELY: And when was this done?

1 MR. SMITH: This is very current data. I
2 think it's 2010 census basis.

3 MS. NEELY: The reason I ask is that a
4 grocery store just closed, Michael's, it just
5 closed on 47th in Lake Park Pointe, and it was
6 always empty, but the prices were really high in
7 there.

8 MR. SMITH: So this -- it might be
9 exacerbated.

10 MS. NEELY: Yes.

11 MR. SMITH: So, in other words, this is
12 meeting a demand that currently exists and is unmet
13 in the neighborhood, particularly the grocery
14 component.

15 So the deal structure of this is,
16 again, it's just the commercial piece, which is
17 the smaller portion of the transaction. It's
18 about \$12.1 million total budget. Proposed CDF
19 allocation would be \$11.75 million, which generates
20 about \$3.4 million of tax credit equity.

21 New Markets investor would be
22 JPMorgan Chase. They would also be the senior
23 lender and the TIF lender. And then the City of
24 Chicago would provide TIF subsidy to the commercial

1 piece that would justify a portion of Chase's loan.
2 So that's about a million four of TIF for this side
3 of the deal.

4 And that's all I have.

5 MS. SCOTT: So in terms of size, where will
6 this rank in terms of size?

7 MR. SMITH: Kind of medium size. Yeah, I
8 would say a lot of deals are clustered in this
9 range.

10 CHAIRMAN MOONEY: Any other questions,
11 comments?

12 I'm looking for a motion.

13 MS. NEELY: Motion.

14 MS. HOLT: Second.

15 CHAIRMAN MOONEY: It's been moved and
16 seconded. All in favor say aye -- oh, I'm sorry?

17 MR. LEON: No comments on this one.

18 CHAIRMAN MOONEY: All in favor say aye.

19 (Chorus of ayes.)

20 CHAIRMAN MOONEY: Thank you.

21 Go ahead.

22 MR. SMITH: So I mentioned we had a
23 sustainability project in the portfolio on the
24 docket for today, and this is it.

1 It's called ACE or Affordable
2 Community Energy. It's a very distinctive project,
3 very different from what CDF has done so far for
4 several reasons.

5 Basically what the project would be
6 is a renewable energy installation in 11 different
7 rental housing properties that are currently
8 managed by Hispanic Housing Development
9 Corporation. So it would be a mixture of solar
10 equipment, combined heat and power, which is this
11 sort of washing machine looking device here that
12 captures waste heat in the hot water system and
13 turns it into additional power, and then energy
14 efficiency upgrades to the buildings.

15 So the portfolio is primarily in the
16 Logan Square and Humboldt Park areas. All the
17 buildings are existing rental properties with
18 100 percent affordable tenant mix. All are in
19 New Markets qualified census tracts.

20 And the project sponsor is ACE,
21 Inc., which is a start-up business that is majority
22 owned by Hispanic Housing Development Corporation,
23 but ACE is a for-profit.

24 It's basically a new business model

1 of energy service company; so a company that comes
2 in and installs these improvements to buildings and
3 then sells a more predictable energy cost to the
4 underlying building, and then takes a spread
5 between those two numbers to earn its return.

6 MS. NEELY: Is Affordable Community Energy a
7 minority-owned company?

8 MR. SMITH: Given that Hispanic Housing is
9 the majority owner, certainly for New Markets
10 purposes it would count. I don't know about the
11 City of Chicago definitions, but --

12 MS. SCOTT: It's owned by a nonprofit.

13 MR. SMITH: Yeah, it's owned by a nonprofit
14 whose board is majority minority.

15 MR. TUNNEY: Explain exactly how this return
16 is going to happen.

17 MR. SMITH: Sure. So I think we have -- no,
18 we don't.

19 So they come in and make this array
20 of improvements in the building, which are going to
21 generate power and they're going to create energy
22 savings. So in turn the existing building owner is
23 going to pay them close to what they currently pay
24 for their total energy bill. They're going to pay

1 that to ACE instead of to the utility companies.

2 ACE in turn is going to pay the
3 end -- the utility company uses a lower bill, and
4 then they'll capture the spread.

5 MS. SANCHEZ: And that's for approximately
6 10 years, I think?

7 MR. SMITH: Yeah, right.

8 MS. SANCHEZ: And then after 10 years, then
9 Hispanic Housing would then give the equipment to
10 the existing owners, and then they would capture
11 the savings from year 10 to like year 30 for the
12 remaining life on the equipment.

13 MS. SCOTT: They continue to own the
14 equipment prior to --

15 MS. SANCHEZ: For the first 10 years, ACE
16 will own the equipment. Then after 10, from like,
17 you know, 11 to 30, when hopefully it will still
18 have useful life, then the current building owners
19 will be able to capture that savings in the
20 utility --

21 MS. NEELY: What is the useful life typically
22 of this equipment?

23 MR. SMITH: 25 years plus.

24 MS. SCOTT: But you say the current owners,

1 which is Hispanic Housing, since they own the
2 building?

3 MR. SMITH: Yes. Well, some of them are
4 partnerships. They have tax credit investors. But
5 Hispanic's the general partner.

6 MS. SANCHEZ: This pilot program is for their
7 own building, but the model could then be used so
8 they could do it in other buildings.

9 MS. SMITH: I just know that solar panels,
10 they might last for 25 years, but they're not
11 accountably reliable for 25 years because the
12 technology is changing.

13 Not to say we shouldn't do it.

14 MR. TUNNEY: Because I know we're trying to
15 do that on our private investment thing. But so
16 energy price -- they're saying I'm paying \$300 a
17 month for a unit, and I will continue to pay \$300
18 a month for the period of the following years
19 regardless of where the cost per therm or whatever-
20 whatever, because you have natural -- you're going
21 to have increases in prices, you'll -- obviously
22 you'll have more efficiencies, and that's the whole
23 idea.

24 But what is the net -- the net, when

1 your prices go up and you've got energy, and how do
2 you kind of control that? Because you're really
3 saying, I'm going to pay fixed fees, basically, for
4 the next 10 years?

5 MR. SMITH: The next 10 years, right.

6 MR. TUNNEY: What I'm basically paying now?

7 MR. SMITH: Yeah.

8 MR. TUNNEY: And then the whole risk is now?

9 MR. SMITH: Transferred to the energy service
10 company.

11 MR. TUNNEY: At least for the first 10 years,
12 and then after that, if there is --

13 MS. NEELY: But I'm confused by that, because
14 if there's energy efficiencies, why would I want
15 to --

16 MS. HOLT: No, I think what they're probably
17 doing is the energy services company has got a deal
18 with -- are they using -- is it set up to use the
19 materials, the energy in the building, or are they
20 selling it back to ComEd?

21 MR. SMITH: It's all to be used onsite in the
22 buildings, just based on the projected production
23 rates. I mean, theoretically it's negative -- net
24 metering, it's called.

1 MS. HOLT: Right. But they're probably
2 also -- they probably got some -- they might have
3 a deal with ComEd as well for energy credits,
4 because ComEd has got to sell a certain amount of
5 solar RECs, right?

6 MR. SMITH: Right, right. That's definitely
7 part of the revenue stream.

8 MS. HOLT: Something like the RECs. There
9 might definitely be some energy credits that are
10 going here as well; I don't know.

11 MR. SMITH: Yeah, that's one of their major
12 projected revenue streams is the sale of SRECs,
13 yeah. It's not very underwritable by the bank,
14 PNC, in this deal, but that's definitely part of
15 it.

16 So the proof of concept is let's
17 demonstrate SRECs are a viable revenue stream for a
18 business like this.

19 MS. SCOTT: And if use of building changes
20 and energy use increases, who is responsible?

21 MR. SMITH: Sorry? If the building energy
22 use goes up --

23 MS. SCOTT: Change in use of the building.
24 Maybe it used to be apartments and they decide to

1 use it for office building, where the tenant usage
2 changes --

3 MR. SMITH: As I understand it, the energy
4 service company is on the hook for --

5 MS. SCOTT: Change in use --

6 MR. SMITH: -- essentially everything that
7 happens -- are you talking about a change in land
8 use?

9 MS. SCOTT: Change in use of the building.

10 MR. TUNNEY: It's all residential.

11 MR. SMITH: Yeah, they're all residential
12 currently.

13 CHAIRMAN MOONEY: They're all residential.
14 They're all tax credit projects.

15 MR. SMITH: Yeah, based on that regime, I
16 think that's a limited risk. It's really --
17 cost of energy is the primary sort of short-term
18 benefit that the buildings get. They get cost
19 predictability. And then after the 10 years,
20 the ownership of the equipment reverts to the
21 buildings, and then they get basically a windfall.
22 They have this renewable equipment and efficiency
23 upgrade that doesn't cost them anything at that
24 point, so they begin to get 100 percent of the

1 benefit after year 10.

2 MS. SCOTT: So this is a 10-year deal. And
3 the payback is very successful?

4 MR. SMITH: It's about 10 years on the mix
5 between the efficiency and the renewables.

6 (Overlapping discussion amongst
7 attendees.)

8 MR. LEON: At the end of the day, I mean,
9 this is a company owned by Hispanic Housing.

10 MS. SCOTT: Right. They're doing it for
11 themselves.

12 MR. LEON: They're doing it for themselves.
13 It improves their cash flow substantially because
14 you can predict what it will be.

15 One of the questions that we had
16 for Andrew was whether this is a program that
17 eventually could be done on a larger scale.

18 MR. SMITH: And that's definitely part of
19 the story on this transaction. It's not just the
20 specific set of improvements of about \$6 million
21 that's getting financed with this transaction.
22 It's also HUD has explicitly provided \$900,000
23 in grant funds for this project as an energy
24 innovation pilot program basically to see if this

1 type of model is viable for affordable housing,
2 does it lower the long-term costs of owning and
3 managing affordable housing as a sort of a housing
4 preservation angle.

5 And so there's extensive reporting
6 back to HUD. And they're also a co-grantee with
7 Enterprise Community Partners. And so there's --
8 within their grant group is extensive reporting and
9 sharing best practices as well on whether this
10 model is working.

11 CHAIRMAN MOONEY: Which was basically the
12 response to Rafael's question, which is that this
13 is a pilot program, and we'll have to see how it
14 works out.

15 MR. SMITH: Right.

16 CHAIRMAN MOONEY: If it does have some legs
17 on it, we'll try and introduce it into the
18 affordable housing stock.

19 MR. TUNNEY: Is it 100 percent affordable,
20 all these units, and what are the projected rent
21 increases over the next 10 years? So your
22 occupancy costs would actually decrease based on --
23 even the affordable is -- is the rent going to go
24 up on a certain percentage every year?

1 Is the rent roll projected to go up
2 over the next 10 years; therefore, the occupancy
3 costs going down as a percentage?

4 CHAIRMAN MOONEY: I'll turn that around just
5 a little bit and ask Rafael to respond to it given
6 his portfolio.

7 Rents will go up, but not because of
8 the utility costs. There will be other maintenance
9 costs --

10 MR. LEON: Just in principle.

11 CHAIRMAN MOONEY: They will go up, but they
12 will go up at the affordable incline.

13 But the important thing is that it
14 makes these buildings much more sustainable in
15 the long run because it provides the capital to a
16 not-for-profit or affordable housing development
17 which they would not otherwise have in order to
18 change these systems.

19 Am I right?

20 MR. LEON: Yeah, absolutely.

21 MR. SMITH: So this is one of those
22 relatively small deals that we were talking about
23 for the application purposes. It's a \$6.25 million
24 proposed allocation, so about a million nine of net

1 tax credit equity.

2 New Markets investor would be PNC
3 Bank, who CDF recently closed its first deal with
4 on the Shankman Orthogenic School.

5 They would also be a senior lender
6 in the transaction, as well as providing bridge
7 financing for the HUD grant, as well as the 1603
8 credits, which are a renewable energy investment
9 tax credit. That's also part of the deal
10 structure. So it's actually converted to a cash
11 grant under a Treasury program. PNC is going to
12 bridge that Treasury payment because that comes in
13 when the panels are placed in service.

14 So a couple different layers of
15 private financing that HUD grants. There's some
16 DCEO funds in here. There's property replacement
17 reserves from the client buildings themselves. So
18 a whole stack of little sources that add up to the
19 leveraged side of the deal. And then CDF's tax
20 credit equity of about a million nine.

21 MS. NEELY: What are the soft costs in a deal
22 like this?

23 MR. SMITH: There's assessment costs, so
24 looking at the structural capability of the

1 building to hold up these panels on the roof.

2 There's the cost of designing the
3 business model and filing all the paperwork with
4 Treasury to keep your 1603 cash grant rights, stuff
5 like that.

6 MR. TUNNEY: And the developer fee?

7 MR. SMITH: The developer fee -- you mean the
8 amount of it? It's \$670,000.

9 MR. TUNNEY: So the existing building we're
10 retrofitting, I don't -- what is the development --
11 what is the --

12 MR. SMITH: It's purely -- it's a renewable
13 energy development fee. So there's no real estate
14 improvements happening here. It's purely equipment
15 being put into the buildings.

16 So ACE would be essentially paying
17 itself a developer fee from the project costs for
18 all the work involved in putting the deal together
19 and doing that work.

20 In turn, they're actually plowing
21 that capital back into the transaction as part of
22 the leveraged source, as well as working capital
23 for ACE to start up.

24 MS. NEELY: So on a cash flow basis, it's net

1 zero.

2 MR. SMITH: Yeah. All the money is staying
3 in the deal, mostly in the capital side of the
4 deal, but some of it in the operations base.

5 MS. SCOTT: Same thing on the structuring of
6 the deal. With the structure --

7 MR. SMITH: Same thing, yeah.

8 MS. SCOTT: What about does the developer
9 fee come back into the --

10 MR. SMITH: The developer fee -- let's see --
11 well, the structuring fee is reinvested immediately
12 at closing. The developer fee is paid out during
13 construction and creates working capital for ACE.
14 It also creates a tax credit basis on the 1603. So
15 that's part of the reason it was sized the way it
16 was.

17 CHAIRMAN MOONEY: Okay. Further comments?

18 Rafael, anything further?

19 MR. LEON: No.

20 CHAIRMAN MOONEY: Is there a motion to accept
21 the deal?

22 MR. TUNNEY: Motion.

23 CHAIRMAN MOONEY: Second?

24 MS. NEELY: Second.

1 CHAIRMAN MOONEY: Moved and seconded. All
2 those in favor say aye.

3 (Chorus of ayes.)

4 MR. SMITH: So I'd actually like to suggest
5 we flip the order of the last two resolutions to
6 make sure we get the pre-funding one. I think the
7 North Park discussion will be longer and more
8 intricate.

9 CHAIRMAN MOONEY: Okay.

10 MR. SMITH: The PowerPoints that you have now
11 are in the correct order.

12 So, as we discussed before, CDF
13 needs to close a little bit more tax credit
14 allocation before October 31st to remain eligible
15 for its 2012 application. And so pre-funding is on
16 the table here at this meeting as a mechanism to
17 make sure there's a way to close those additional
18 credits by October 31st.

19 The ACE deal may close by
20 October 31st in full fashion, and so that would
21 preclude the need to do this.

22 North Park University also has some
23 potential to do that. I'd say Shops and Lofts does
24 not; it's a year-end kind of deal.

1 So last year CDF did a pre-funding
2 essentially for exactly the same reason with the
3 Mercy Oakwood Shores transaction.

4 What a pre-funding is, is CDF is
5 an intermediary in the transaction structure. It
6 receives capital from the tax credit investor and
7 then lends it to the underlying project. It's a
8 sort of a two-step process.

9 The pre-funding is just that first
10 step, receiving the qualified equity investment
11 from the tax credit investor and then essentially
12 putting those funds in a lockbox until you have the
13 underlying transaction ready to fund.

14 So separating those two steps: In
15 practice, it's fairly common in the New Markets Tax
16 Credit world, driven mainly by these brief deadline
17 issues.

18 So in a pre-funding transaction, the
19 main issue to be -- sort of have on your risk radar
20 is there's a 12-month window to deploy the capital
21 from the pre-funding down to a qualifying project
22 or else there's a risk of tax credit recapture.

23 There's also potentially an
24 additional six-month cure period that the IRS has

1 set forth in private letter rulings, but you don't
2 want to count on that as part of your time frame to
3 deploy the capital.

4 So the resolution you have in your
5 packet today would authorize CDF to pre-fund up to
6 \$24 million, so that would be essentially two out
7 of these three deals that are on the table today.
8 So not only a way to hit the October 31st deadline,
9 but also to show a very healthy rate of deployment
10 of capital before this key milestone where Treasury
11 is going to check up on progress on October 31st.

12 So any amount up to that would be
13 the pre-funding resolution.

14 The QEI would have to occur on or
15 before October 31st. The investor would, if past
16 precedent holds up, would sign an agreement with
17 CDF where they have a right to pull their capital
18 back out by roughly May 2012 if there's been no
19 pushdown of funds to these projects or approved
20 replacement projects.

21 CDF would be obligating itself to
22 reimburse the investors for the legal fees
23 associated with this, but if, and only if, the
24 whole transaction unwinds. So essentially that

1 sort of doomsday scenario.

2 And certainly CDF would only be
3 using the proceeds of the qualified equity
4 investment to fund deals that the governing board
5 had approved. So that's also within the scope of
6 the pre-funding resolution that is before the ACE
7 deal or the Shops and Loft deal, or it could also,
8 if it receives approval today, the North Park deal.

9 And just a kind of a resummation
10 of the risks and benefits. So essentially the
11 main risk is if the pre-funding happens and no
12 qualifying project is funded by May 2012, the
13 investor could pull their capital back out,
14 essentially take their ball and go home, and so
15 that batch of tax credits would be unusable.

16 CDF would have that legal fee
17 liability I mentioned.

18 The mitigating factors for that:
19 Basically CDF would be only doing this tied to
20 approved deals that have a very high likelihood
21 of closing. So there's an exit strategy clearly
22 identified.

23 And then another \$300 million in
24 projects in CDF's pipeline. So if these projects

1 hit hiccups, then there's backups that can be
2 identified and funded instead.

3 And then, of course, the main
4 benefit, the main reason for doing this is to meet
5 this October 31st deadline, and then a secondary
6 goal is to show a rapid rate of deployment for
7 competitiveness reasons.

8 MS. NEELY: It seems to me that the benefits
9 far outweigh the risks.

10 MS. SCOTT: But surely on that -- go ahead.

11 MS. NEELY: No, that's just my point. Go
12 ahead.

13 MS. SCOTT: When we look at the rapid
14 deployment, they're actually looking at the actual
15 project underlying it and whether it's pre-funding.

16 MR. SMITH: You know, nobody knows for sure
17 exactly how Treasury evaluates this. We do know
18 that they have direct access to all the QEI
19 information. I mean, it's an online system you
20 enter all the QEIs into. Typically all the
21 thresholds tie to that.

22 In some cases they ask you about
23 your full heat funding progress, as well as the
24 loan down to the project level. But the consensus

1 throughout the industry is generally the QEI
2 progress matters.

3 MS. SCOTT: And so we basically say to
4 JPMorgan and PNC, yeah, we're going to have New
5 Markets Tax Credits planned for the project even
6 though they're earmarked --

7 CHAIRMAN MOONEY: It's for a project.

8 MS. SCOTT: Okay. So they don't have any
9 discretion.

10 CHAIRMAN MOONEY: No.

11 MR. SMITH: Right. CDF would only agree
12 to push the money down to projects that CDF has
13 approved.

14 MS. SCOTT: So it would have to approve them
15 first.

16 MS. NEELY: Oh, yeah.

17 MR. SMITH: Yes. And --

18 CHAIRMAN MOONEY: They're essentially the
19 projects we're approving today.

20 MR. SMITH: You do see --

21 MS. HOLT: They're like pre-funding for the
22 projects that are on --

23 MR. SMITH: Right, yeah.

24 MS. SCOTT: Okay.

1 MS. HOLT: They are projects that were
2 proposed months ago.

3 MS. SCOTT: Okay.

4 MR. SMITH: You do see in the industry CDEs
5 taking in blind pre-fundings and then, you know,
6 figuring out the deal later. But that's certainly
7 not anything CDF has ever had to do and probably
8 not advisable for CDE to let in --

9 MR. STEPHAN: Somebody just pointed out, too,
10 in the alternative, it may come to a point where
11 the deal falls through with PNC, do you have the
12 ability in theory to then transfer that to another
13 bank or another investor who would want to
14 purchase, so you're not sort of lost in PNC
15 (inaudible).

16 MS. Scott: Do we know whether (inaudible).

17 MR. SMITH: It usually is based on whether
18 the investor has claimed the first year of tax
19 credit or not because they technically have --
20 December 31st, whether or not the money has been
21 pushed down, the investor can claim a tax credit
22 for year one.

23 VOICE: I would suspect that they would not
24 (inaudible) declare a profit (inaudible) difficult

1 situation (inaudible).

2 CHAIRMAN MOONEY: Any further comments?

3 MS. NEELY: I think the benefits far outweigh
4 the risks.

5 I'll make the motion.

6 MS. HOLT: Second.

7 CHAIRMAN MOONEY: Okay. Moved and seconded.
8 All those in favor?

9 (Chorus of ayes.)

10 CHAIRMAN MOONEY: Okay. We'll try not to
11 turn this into a long saga.

12 MR. TUNNEY: Before we get to that, this
13 bottom -- this -- what are the legal fees if it is
14 not identified?

15 MR. SMITH: The investor doesn't tell you up
16 front it's going to be exactly this, but I would
17 say for a QEI-only closing, you know, 15, \$20,000,
18 you would probably a good size range.

19 CHAIRMAN MOONEY: I don't mean to exaggerate
20 the problem, but we want to make sure everyone is
21 aware of the issue. So go ahead.

22 MR. SMITH: So North Park University is the
23 final transaction proposed for approval today.
24 And, as mentioned in your packets, the Advisory

1 Board has given a conditional recommendation on
2 this one, so that's why I saved it for last for a
3 potentially longer discussion.

4 The project is a 100,000 square foot
5 LEED Gold Science and Community Life building on
6 North Park University's Albany Park campus. So it
7 really upgrades and modernizes their science and
8 nursing curriculum with a few ancillary functions.

9 The university views this as really
10 competitive -- critical to their competitiveness
11 in those disciplines, and it's 100 percent net new
12 expansion of the university. They're not tearing
13 down any academic buildings to make this building
14 possible.

15 It's in the Albany Park neighborhood
16 at 5141 North Christiana.

17 Likely closing time frame could be
18 as soon as October 31st, but very likely by
19 year-end if not by that October date.

20 MS. NEELY: What ward is that?

21 MR. SMITH: It's Alderman Marino.

22 The site plan. So here you see the
23 new building in red dropping into the existing
24 campus in the fairly tight urban footprint that

1 North Park has.

2 MS. NEELY: Any new jobs being created, or is
3 it just reallocating existing staff?

4 MR. SMITH: Right when the building opens it
5 will be reallocation, but there's a lot of backfill
6 space throughout the campus, and so we do have
7 projections later on in the presentation about what
8 the backfill would be.

9 The university is expanding, and so
10 that's the, sort of the rationale here.

11 MS. NEELY: I apologize. I don't know this
12 university. Is it an accredited university?

13 MR. SMITH: Uh-huh. And I should also point
14 out that just to the south here, Von Stueben Metro
15 Science High School is nearby, and North Park has
16 had a long history of interacting with CPS high
17 schools with summer programs. And so Von Stueben
18 would probably benefit significantly from --

19 CHAIRMAN MOONEY: We're working very closely
20 with North Park on a number of different fronts,
21 including a new boathouse that we're building, and
22 they -- on the river, a new boathouse as well
23 as a new soccer and football stadium that they are
24 financing but will be open to the neighborhood. So

1 we are working closely with them and they are in
2 expansion mode.

3 MS. NEELY: Okay.

4 MR. SMITH: So the university currently has
5 about 3200 students. And so we did a lot of Q&A
6 with the university to try to pin down the impacts
7 on the city of Chicago population in particular,
8 this being Chicago Development Funds.

9 So about 1200 of those students are
10 from the city of Chicago. 318 of those are state
11 MAP grant recipients, so essentially sufficiently
12 low income to receive that particular layer of
13 student financing. 51 of them from the local ZIP
14 code. So a very neighborhood-serving, city-serving
15 university.

16 The average family income of the
17 Chicago students is just under \$50,000 a year, so
18 that's 68 percent of the area median. 40 percent
19 of the student body from households earning \$34,000
20 a year or less. 35 percent of the undergrads are
21 first generation college attendees.

22 In particular, sort of from an
23 economic development perspective, the nursing
24 program is of interest. That's another growing

1 program within North Park. Currently about
2 220 students at a very high rate of passing the
3 licensure exams on the first try, and then in turn,
4 that almost always leads to a job placement within
5 six months with a starting salary of \$48,000 to
6 \$52,000. So sort of an accessible high quality job
7 path potentially for students from Chicago.

8 The students also perform a lot
9 of public service through their placement in the
10 medical programs, so they're stationed in hospitals
11 and clinics across the city. Many of those are in
12 low-income parts of the city.

13 There's also a lot of community
14 outreach programming. So summer programs are
15 offered at no cost in biology, chemistry, physics,
16 and mathematics for students from local high
17 schools, which have a very high proportion of
18 low-income students, and that enrolls about
19 100 students per summer.

20 And then in terms of job creation --
21 so this is the backfill projection that you were
22 asking about, Treasurer Neely -- it says 63 new
23 faculty and staff are projected to be added to the
24 university in total facilitated by this net new

1 increase, and those would be jobs -- full-time jobs
2 with benefits.

3 And I guess just a little more
4 context on North Park University, their motto is
5 that they're intentionally urban, purposefully
6 multicultural, and distinctively Christian --
7 that's the third one -- which is the subject of
8 some of our discussion here today.

9 MS. NEELY: There it is.

10 MR. SMITH: So a bit more on the proposed
11 transaction.

12 This a \$44.7 million building that
13 would be funded through tax exempt bonds, through
14 fund raising of the university, and through -- if
15 the transaction is approved -- CDF tax credit
16 equity. So \$12 million -- up to \$12 million is the
17 proposed amount of allocation; about \$3.5 million
18 of net equity added to the deal.

19 MS. NEELY: Who is the issuer of the tax
20 exempt bonds?

21 MR. SMITH: North Park University would be
22 the issuer, and then Chase would be the direct
23 purchaser of the bonds.

24 So jumping into -- I guess any

1 questions on the deal aspects before we jump into
2 complicated church/state issues?

3 MS. NEELY: Let's just go for it.

4 MS. SCOTT: Who is their banker, do we know?

5 MR. SMITH: The individual at Chase?

6 MS. SCOTT: Yes. So Chase is doing the
7 underwriting as well?

8 MR. SMITH: Yeah. There is a woman by the
9 name of Allison Santos, I want to say, in the tax
10 exempt bond group.

11 So North Park is a religiously
12 affiliated university. Evangelical Covenant Church
13 is the sponsoring denomination --

14 CHAIRMAN MOONEY: Which, incidentally, would
15 be the same sponsoring organization as Swedish
16 Covenant Hospital. It's all part of -- when
17 Andersonville was settled by the Swedes, they moved
18 out along Foster Avenue, and so you ended up with
19 Swedish Covenant and North Park University.

20 MR. TUNNEY: After they left Belmont and
21 Clark.

22 MR. SMITH: So the current policies
23 associated with all of their employment is that
24 they do not discriminate on any basis prohibited by

1 law. With being a religious organization, they
2 have some exemptions.

3 Their hiring practices for the
4 majority of their positions do consider the
5 individual's faith as part of the criteria. So, in
6 other words, they generally hire only Christians,
7 and they want values consistent with the church.

8 This is not a factor in student
9 admissions, which is CDF's primary reason for
10 considering the transaction is to offer this
11 resource to the Chicago student population.

12 They do consider faith in certain
13 financial aid programs, and so we actually have a
14 breakdown in the packet of sort of the aspects of
15 their current financial aid breakdown that looks
16 at this issue.

17 So this -- I guess the best
18 precedent for this deal is probably the Salvation
19 Army transaction in 2010, which some -- only a
20 couple folks were involved with CDF at that time.

21 So in that situation, CDF negotiated
22 an antidiscrimination covenant with the borrower
23 which did not completely bind them to not
24 discriminate. They retained some religiously-based

1 rights to discriminate, but those were sort of set
2 forth in a very systematic way and put in a box,
3 essentially, by this covenant.

4 MS. NEELY: Do you have a copy of that?

5 MR. SMITH: The Salvation Army covenant? We
6 don't have that with us today. We can send that
7 around immediately, though.

8 We do have a --

9 CHAIRMAN MOONEY: Do you happen to have the
10 current one?

11 MR. SMITH: No. We asked Bob Stephan, CDF's
12 counsel on the deal, to join us, too, for this.

13 MS. NEELY: How are they defining covered
14 employees, if you have ...

15 MR. SMITH: Yeah. So covered employees in
16 this current draft of the covenant, which is not
17 final, by any means, but it's something that North
18 Park has indicated they would be comfortable with,
19 covered employees are defined as employees that --
20 I'm sorry -- covered employees are a certain
21 slice of their employees; they are maintenance,
22 janitorial -- I'm sorry, I need a copy of the
23 covenant to --

24 MS. NEELY: Painter, carpenter, electrician,

1 stationary engineer, and groundskeeper.

2 MR. SMITH: Yes.

3 MS. NEELY: So it sounds like everything
4 except for faculty staff.

5 MR. SMITH: They make administrative --

6 MS. NEELY: Right.

7 MR. SMITH: Yeah.

8 MR. STEPHAN: Secretarial.

9 MS. NEELY: Is included or not included?

10 MR. STEPHAN: Is not included.

11 MR. SMITH: Not.

12 MS. NEELY: So faculty and staff.

13 MR. SMITH: So they're willing to make a
14 distinction between covered employees who would not
15 be discriminated against for any protected class
16 that's in the Chicago Human Rights Ordinance, and
17 then noncovered employees, who would have the
18 freedom to do so but within the bounds of their
19 current policy, which is -- they list a sort of a
20 smaller group of protected classes that they don't
21 discriminate against in their hiring practices.

22 So that is up at the top in
23 romanette (i). They would not discriminate based
24 on race, national origin, sex, age, disability,

1 marital status, or status as a disabled vet or
2 Vietnam-era vet.

3 MS. SCOTT: Where is sexual orientation?

4 MR. SMITH: It's not in their definition.

5 MS. NEELY: It's in protected class.

6 MR. SMITH: So, in other words, it's not in
7 the university's list that would apply to all of
8 their employees. It is in the list for covered
9 employees. So essentially it's drawing a line
10 between those two.

11 MS. NEELY: So, in plain English, that means
12 they would not hire a gay professor.

13 MR. SMITH: I don't think they have a policy
14 that explicitly says that, but --

15 MS. HOLT: They don't want to say that they
16 won't do it.

17 MR. SMITH: Yeah, they do not want a covenant
18 that they will not do that.

19 MS. HOLT: Yeah.

20 MR. SMITH: I think the main areas probably
21 of sensitivity are religion and sexual orientation,
22 which are definitely not on that list.

23 MS. NEELY: That's why I said a gay professor.

24 MR. SMITH: Right.

1 MS. NEELY: Would they hire non-Christian
2 professors?

3 MR. SMITH: It doesn't appear that they
4 would.

5 They have not said this is exactly
6 what we would and would not do within our HR
7 practice, but they are basically giving themselves
8 the room to not do that.

9 MR. TUNNEY: And then if you're equating this
10 to the Salvation Army, is this -- I don't know what
11 their policy --

12 MS. NEELY: The Salvation Army was not --
13 didn't deal with a lot of hiring issues. It was
14 more, because it was a community facility, if
15 someone wanted to have a parenthood meeting in one
16 of the meeting rooms, those are the kinds of issues
17 we dealt with with the Salvation Army. I don't
18 really recall issues with regard to hiring
19 practices.

20 MR. SMITH: There actually -- there was a
21 mechanism in the Salvation Army covenant -- and
22 this covenant is structure based on that starting
23 point.

24 But, basically, there was mission --

1 or, sorry -- ministry positions and non-ministry
2 positions defined within the Salvation Army
3 covenant. Ministry positions, they could
4 discriminate --

5 MS. NEELY: Right, ministry, right.

6 MR. SMITH: -- based on the -- right. And
7 non-ministry positions, they have the same -- the
8 standard provisions of --

9 MR. LEON: And the Salvation Army, they also
10 had an issue of sexual orientation.

11 MR. SMITH: And religion.

12 MS. NEELY: And the use of common rooms.

13 MR. LEON: Right.

14 MS. NEELY: They wanted to control what
15 message was being delivered in the common rooms.

16 MR. SMITH: Right.

17 In practice, that was much more of a
18 quasi-public facility than this is.

19 MS. NEELY: Right.

20 MR. SMITH: But the North Park University
21 definitely wants to also control assembly within
22 this building. It's primarily a university
23 building, but it's possible the public might use it
24 for certain functions.

1 MS. NEELY: How are you getting around that
2 with regard to the stadium? I know that they're
3 owning up that they said that the community could
4 use it. Are they so called policing what the
5 community --

6 CHAIRMAN MOONEY: I don't think so. I think
7 there are arrangements with the school, the Park
8 District for --

9 MR. LEON: And I guess from our perspective,
10 from the Advisory Board, the issue of using public
11 funds for an entity that has the requirement of
12 being Christian, so whether you separate the church
13 and the state --

14 CHAIRMAN MOONEY: Well, let's be clear,
15 careful, though. The requirement has to do with a
16 certain part of their employment. It does not
17 affect the students and does not affect all
18 employees.

19 MS. SCOTT: So it's faculty. Are we
20 confirmed it's restricted to faculty?

21 MR. SMITH: It's faculty, administration --

22 MS. HOLT: Everybody except for, it looks
23 like, their service providers and their trades and
24 students.

1 Otherwise, what they're saying is
2 with respect to their faculty and staff, they want
3 to discriminate based upon, for some reason -- I
4 believe it must be an oversight -- color, which is
5 not in those categories, gender identity, religion,
6 ancestry, sexual orientation, parental status,
7 military discharge status, and source of income.

8 But they will not discriminate
9 for the wide range of things against students and
10 covered employees. But for the faculty and staff,
11 they want to be able to discriminate based on those
12 things I just listed.

13 MS. NEELY: Race is one of them?

14 MS. HOLT: Color. That is, they will not
15 discriminate based on -- those are the exceptions --

16 MS. NEELY: So what's the difference between
17 race and color?

18 MS. HOLT: I think it's a mistake. I think
19 because -- your protected class definition. If
20 you're looking at -- that's your protected class,
21 though. The protected class is your students --

22 MR. STEPHAN: I'm getting this -- pardon our
23 oversight -- I think we can likely add that to our
24 romanette (i) --

1 MS. HOLT: As I said, it's probably just a
2 typo. It's basically sexual orientation, gender
3 identity, and religion. Some weirdness about
4 parental status and source of income, but I
5 don't think that's substantive. I think the
6 substantive --

7 MS. NEELY: I just don't know why we would
8 agree to allow them to discriminate on any basis.

9 MS. HOLT: Well, I mean, they can. We're not
10 agreeing to allow them to. I mean, I guess the
11 question is whether we wish to fund.

12 MS. NEELY: Why would we want to fund an
13 entity that will discriminate on any basis?

14 MS. HOLT: Then why did we do it for
15 Salvation Army? Because they discriminate on their
16 ministry staff, right?

17 MS. NEELY: But there was not a lot of -- I
18 mean, it was not a lot of ministry staff and --

19 MR. SMITH: They did agree to proportions in
20 the Salvation Army, it was 20 percent ministry
21 positions --

22 MS. NEELY: Yeah, they made a lot of
23 concessions, including the use of common rooms.

24 MR. SMITH: Right. The only restrictions

1 they retained on that, I believe, were political
2 events.

3 MS. NEELY: Right.

4 MR. SMITH: They retained the right to block
5 political events.

6 MS. NEELY: They're apolitical because they
7 want their 501(c)(3) status, so they prohibited
8 political events, which is not discriminatory.

9 MR. SMITH: And I think they also retained
10 the rights to prohibit any kind of religion
11 ceremonies from the facility.

12 MS. HOLT: Again, it does not say Muslim
13 ceremonies. It's any religion. So to me that's
14 also not discriminatory. It's just saying we
15 prohibit religious ceremonies, which I think we all
16 got comfortable with because it didn't single out
17 any particular group.

18 MS. SCOTT: Any of the charter schools that
19 we've done, are there any --

20 MS. NEELY: What about the Christian school?

21 MR. SMITH: Yeah, Christ the King back in
22 '09, this issue didn't really crop up in that
23 situation.

24 MS. SCOTT: They're Jesuit.

1 MS. NEELY: But I don't know if --

2 MR. SMITH: We haven't done a deep dive
3 retroactively to figure out what --

4 MS. NEELY: Okay. I don't know if -- and I
5 vaguely remember this, but I don't remember them
6 saying that they wouldn't hire non-Christians at a
7 Jesuit school, in all honesty.

8 MR. LEON: Right. I don't recall if --

9 (Overlapping discussion unable
10 to be captured by court
11 reporter.)

12 MS. NEELY: There are non-Christian
13 professors at (inaudible).

14 MS. HOLT: Some. But do they have some
15 reserved for --

16 MS. NEELY: But there's a difference between
17 discriminating and limiting, right? I mean, we
18 can -- I have no problem with limiting --

19 MS. SCOTT: No, we're not just saying any.
20 You're saying on some, a basis of our decision
21 is --

22 MS. HOLT: I asked the question, and it's
23 something we don't have the answer to, which means,
24 did we ask Christ the King for the same kind of

1 thing? Did we ask them about their discrimination,
2 whether it's based on religion or sexual
3 orientation or parental status or whatever the
4 things are that are at issue here?

5 MR. LEON: I don't remember --

6 MR. SMITH: Mayer Brown did a legal review on
7 behalf of CDF regarding the church/state issues
8 associated with the deal -- Christ the King, yes --
9 but there was not a specific line of inquiry or a
10 covenant on this issue. Salvation Army was the
11 first one that that --

12 MR. HOLZRICHTER: We did do a -- we did take
13 a look at both their admissions policy with respect
14 to students, as well as their hiring policies.

15 I can't tell you off the top of my
16 head what they were, but I think we were all
17 comfortable at that time.

18 The idea of the covenant didn't come
19 up until Salvation Army, which suggests to me that
20 at least with the board at that time, no one had
21 any issue with the policies.

22 MR. SMITH: Right.

23 MS. HOLT: Well, I think people have a
24 concern about them discriminating against students

1 here. That seems like where --

2 MR. SMITH: Right.

3 MS. HOLT: -- the faculty situation, who
4 they're hiring to have a specific mission in the
5 world.

6 MR. SMITH: Right.

7 MR. LEON: And just to provide a little bit
8 of context between the difference between Christ
9 the King and the Salvation Army, the Salvation Army
10 transaction came up when there was a story in
11 New Orleans about this gay lesbian who wanted to
12 bring her partner to a graduation party, and she
13 was not allowed. And then that's when it became
14 an issue at that time with the Salvation Army
15 transaction. It was happening at the same time, so
16 it was in the paper all the time. So we asked the
17 question, and that's what happened.

18 MR. SMITH: Right. And certainly anecdotally
19 it does not appear that North Park has nearly the
20 same kind of reputational issues, particularly with
21 sexual orientation, that Salvation Army does. They
22 have a very active GLBT student group. They have
23 the Axelson Center, which is their nonprofit
24 management program, recently awarded the center on

1 Halsted with the Management Excellence Award. They
2 have actually blocked --

3 MS. NEELY: But why would you say we reserve
4 the right to not hire a certain group of people?

5 MR. SMITH: It's religiously based.

6 CHAIRMAN MOONEY: It's religiously based.

7 MR. STEPHAN: Here's -- let me just -- here's
8 their hiring guidelines, policy guidelines, at
9 least what I think are their current guidelines.

10 Employees of North Park University,
11 except for those identified specifically to CDF for
12 carve-out on the attached spreadsheet, which is
13 this list we talked about, are expected to be
14 practicing Christians in faith and action.

15 The University does not expect
16 conformity to a particular written creed or
17 established set of personal behaviors or religious
18 practices. However, North Park's institutional
19 position on these matters is necessarily informed
20 by and congruent with our sponsoring denomination,
21 the Evangelical Covenant Church.

22 In the hiring process, the
23 University assumes responsibility to make clear the
24 mission and identity of the school and of the

1 University's founding church, expecting all
2 employees to be supportive of the North Park
3 educational mission.

4 MS. NEELY: So with the Salvation Army, just
5 for you guys to know, they were almost denied. In
6 fact, I think they were denied.

7 MR. SMITH: It was deferred.

8 MS. NEELY: It was denied and then, you know,
9 we withdrew the motion. And that's when the
10 Salvation Army made significant sort of changes.

11 So, you know, I don't know if that's
12 going to happen with this deal that they're on the
13 borderline of being denied and that we'll ask them
14 to make concessions, but ...

15 MS. SCOTT: I'm looking at Christ the King,
16 which we did as well, right?

17 MS. NEELY: Not as big a deal.

18 MS. SCOTT: It doesn't matter. But the
19 mission is to provide a Christian education, a
20 Catholic education.

21 MS. NEELY: Yeah, there's a difference
22 between a mission -- because I agree with it,
23 it's --

24 MS. HOLT: Christ the King is not going to

1 hire gay faculty to teach the kids.

2 MS. NEELY: How do you know that? My son
3 goes to FXW, and they have gay faculty and Jewish
4 faculty.

5 MS. HOLT: I'm sorry. So I'd like to see
6 their hiring policies and see what their position
7 is, and see if they would sign this. It's Catholic
8 education, and we know where the Catholic church
9 stands on these things.

10 MS. NEELY: Right. And all I'm saying is
11 Frances Xavier Warde has two tracks. They have
12 their Christian school and they welcome everyone.
13 And so even though they're a Christian school that
14 is associated with the Archdiocese --

15 MS. HOLT: I'm not talking about welcoming
16 the students. I'm talking about the faculty.

17 MS. NEELY: And I'm telling you there's
18 Jewish faculty there. My son's math teacher is a
19 Jewish person.

20 CHAIRMAN MOONEY: Well, my guess is that
21 there's a relatively diverse faculty at North Park
22 as well. We can check that out.

23 MS. HOLT: One of the requirements of
24 Christ the King is to participate in the adult

1 faith formation.

2 MR. LEON: At the same time, as a policy
3 decision-maker, which you speak of, you made a
4 decision at the time that could have been wrong,
5 that doesn't mean you have to keep making the same
6 mistakes.

7 MS. NEELY: No, agreed.

8 (Overlapping discussion unable to
9 be captured by court reporter.)

10 MS. NEELY: And Mayer Brown is saying that?

11 MR. HOLZRICHTER: Well, Mayer Brown's opinion
12 is on the basis of making sure that -- that was --
13 Christ the King was the first religiously-
14 affiliated school -- was confirming that at the
15 time of this action, CDF wouldn't be violating the
16 separation of church and state, right? So that
17 neither the City of Chicago nor CDF would be
18 violating any constitutional law.

19 But as Rafael mentioned, there's a
20 separate policy question.

21 MS. NEELY: Right.

22 MR. HOLZRICHTER: And I think Mayer Brown
23 has felt the same conditions should apply to each
24 of the deals so that you're not violating federal

1 law by approving a transaction. So there's a
2 separate policy question if you choose to do so.

3 MS. NEELY: So what question would you like
4 us to answer with regard to Christ the King?

5 CHAIRMAN MOONEY: Well, I think that we've
6 already two precedents. That we're willing to
7 invest in these enterprises as long as they don't
8 discriminate against the users. And that in
9 both instances, they are able to -- with some
10 limitations, they're able to hire according to
11 their constitutional right.

12 Is that a policy that we're willing
13 to continue with?

14 MR. TUNNEY: And time is of the essence in
15 this thing today?

16 MR. SMITH: As far as board action?

17 MR. TUNNEY: In terms of maybe getting -- do
18 we have a legal opinion -- you know, you said that
19 for Salvation Army and for Christ the King, but is
20 our legal advice on this -- is what I'm hearing it
21 meets the Constitution but it doesn't meet
22 necessarily our policy goals for the City?

23 MR. SMITH: Yes.

24 MR. TUNNEY: And our attorneys are fine with

1 that?

2 MR. HOLZRICHTER: Yeah.

3 MR. STEPHAN: If you look at the first
4 sentence in the covenant, they covenant and agree
5 to comply with all applicable laws, which you would
6 expect they would. So --

7 MS. NEELY: Why would they not -- why would
8 they --

9 MR. TUNNEY: I don't like the idea of term --
10 just for the term of the loan. That but for they
11 didn't have the loan, they wouldn't -- this
12 building is going to last 50 years or 100, and --
13 which, you know, I mean, that -- to me, when I read
14 that, it was like, oh, just so long as we have the
15 money. But you wouldn't be able to build it
16 without the loan.

17 MR. SMITH: So that could suggest a policy of
18 a permanent restricted covenant on the real estate,
19 for example.

20 MR. TUNNEY: It's not our real estate --

21 MS. SCOTT: I think we should ask them if
22 they would include in their covenant color,
23 ancestry, sexual orientation, and I think that's
24 it. And see what they say.

1 MS. NEELY: And, again, that's what we did
2 with Salvation Army. We went back to them and
3 asked, and they --

4 MS. SCOTT: I'm not saying I'm a no vote if
5 they don't, but I'd like -- I think we should
6 add a --

7 MR. STEPHAN: And I think color, again, was
8 an oversight. I mean, I think it's just matching
9 up --

10 MS. NEELY: Let's hope so.

11 MR. STEPHAN: Well, I'm fairly confident of
12 that.

13 (Overlapping discussion.)

14 MS. SCOTT: Let's agree to have a policy that
15 we all agree on.

16 MR. STEPHAN: But I think that if you're
17 including sexual orientation, I think -- well, at
18 least based on our discussions, my response would
19 be that they would reject that.

20 We can ask that, but that was the
21 point of all these other, you know, romanettes that
22 you see, was trying to carve something that we
23 could reach agreement on. If they included it in
24 the first sentence, I don't -- you know, we

1 wouldn't need any of the rest of the language.

2 So we can certainly ask for that.

3 CHAIRMAN MOONEY: Let's be clear. What are
4 we asking for?

5 MR. STEPHAN: Well, I thought I heard that we
6 wanted to just ask for a --

7 MS. SCOTT: A proposal. Although, I guess
8 the question is, to the flip side, would we ask
9 Christ the King to say that they would, you know,
10 remove the faith requirement from their hiring,
11 which I don't think they'll do.

12 CHAIRMAN MOONEY: No, of course not.

13 MS. SCOTT: Right?

14 CHAIRMAN MOONEY: And we didn't ask that of
15 Salvation Army, either, did we?

16 MR. SMITH: Well, there were basically two
17 classes of employees created: ministry positions,
18 for which they didn't remove that criteria, and
19 then non-ministry, for which they agreed to not
20 discriminate.

21 CHAIRMAN MOONEY: They agreed to a good
22 portion of faculty versus non-faculty.

23 MR. SMITH: Right. So the proportions are
24 not as favorable in this transaction as they are in

1 the Salvation Army. There was 20 percent ministry
2 positions; 80 percent non. Here, you know, it
3 seems like a fairly limited swap with the
4 university that will be covered employees.

5 MR. HOLZRICHTER: I think, also, just to
6 clarify, I know they can be related, but the --
7 there's a difference. Christ the King's faith-
8 based program is to be distinguished not -- like
9 here we have two classifications. There are the --
10 there's a religious test and the sexual orientation
11 test.

12 And I think what I heard, just to
13 clarify the proposal, was that we'd add sexual
14 orientation to the list, but I didn't hear you
15 say --

16 MS. SCOTT: I don't think that they're saying
17 anything about religion.

18 MR. HOLZRICHTER: So essentially what they're
19 reserving the right to discriminate on the basis of
20 religion and sexual orientation.

21 MR. STEPHAN: Well, right, because sexual
22 orientation is obviously related to their
23 religious -- or they'll tell you -- related to
24 their religious beliefs.

1 MS. SCOTT: And Christ the King, they can
2 discriminate (inaudible).

3 MR. STEPHAN: I don't --

4 MR. HOLZRICHTER: And just to clarify,
5 with Christ the King that didn't come up, their
6 faith-based policy, it may or may not. But that
7 was -- their issue was over the faith-based hiring
8 policy, not the sexual orientation.

9 CHAIRMAN MOONEY: So again I ask, what is the
10 proposal?

11 MS. SCOTT: I don't know. I retract -- I
12 withdraw it, I'll tell you that.

13 MR. TUNNEY: I don't understand. I'm sorry,
14 I may be -- I don't understand what -- they are
15 allowed to discriminate hiring educational and
16 staff.

17 MS. NEELY: Correct. Based on sexual
18 orientation and religion.

19 So there's no issue with the
20 separation of church and state. So the question
21 becomes a policy question. Do we want to provide
22 funds for an entity that has a policy that's not in
23 sync with the City's policy.

24 MR. LEON: Well, as to policy, there's the

1 human rights ordinance with regard to the sexual
2 orientation. It's not -- at that point it's not
3 just a policy decision between sexual orientation
4 because there is a human rights --

5 (Overlapping discussion.)

6 MS. NEELY: What does the Advisory Board say?

7 MR. LEON: That we will approve it
8 conditionally if resolving this issue about
9 the religion. We didn't focus on the sexual
10 orientation for that. But it should be
11 satisfactory to the City of Chicago.

12 MS. NEELY: I think we should focus on both.

13 MR. LEON: Sure, right. It should be to the
14 satisfaction of the City.

15 MS. NEELY: So is that where we are, asking
16 them to make concessions on this or to see what
17 they come back with before we approve?

18 MR. SMITH: It could a denial. It could be a
19 conditional approval with specific must-haves. It
20 could be, you know, nonconditional approval. I
21 think those are really the three most viable
22 options probably.

23 CHAIRMAN MOONEY: Well, I think we have to be
24 careful that we either follow the precedent that we

1 set, or that we establish new policy going forward,
2 which is that essentially no religious -- or any
3 organization, regardless if it was religious or
4 not, that establishes some, I don't want to use the
5 term discriminatory basis for employment, is not
6 going to be eligible for CDF funds. And that would
7 include in the future Christ the King and it would
8 include in the future the Salvation Army.

9 MS. NEELY: And the only thing I can say is
10 with Christ the King we're making that assumption,
11 but we don't know. That's all I'm saying.

12 MS. SCOTT: No, it says it on their website.

13 MS. NEELY: Yeah, but their mission does
14 not mean --

15 MS. SCOTT: It wasn't their mission. It was
16 on their hiring page that candidates should agree
17 to participate in the faith development.

18 MS. NEELY: I don't know what that means.
19 That doesn't sound like --

20 MS. SCOTT: Well, the point of the matter is
21 if you ask Christ the King (inaudible) you do have
22 a religious school run by a religious order that
23 has certain beliefs that are inconsistent with what
24 we are saying right here. The likelihood that they

1 would sign this is pretty slim.

2 (Inaudible discussion touching
3 on human rights ordinance.)

4 MR. STEPHAN: Well, just to clarify, so
5 romanette (i) in the first paragraph, that's the
6 university's own current HR policy.

7 (Inaudible discussion.)

8 CHAIRMAN MOONEY: Well, we do a lot of church
9 developments. We do a lot of Catholic Charities,
10 for example, a lot of senior housing, Catholic
11 Charities, family housing.

12 (Inaudible discussion.)

13 MR. TUNNEY: This is already in the gay
14 community with Catholic Charities.

15 (Inaudible discussion.)

16 MR. SMITH: The calculation is that the,
17 roughly the \$3 million benefit from the New Markets
18 structure, if they earned -- or they drew down
19 5 percent on that per year, that's \$150,000. Their
20 average grant is \$7,000 per student, so it's about
21 21 students per year that they couldn't help out
22 with their own grants.

23 MS. HOLT: But that still I think doesn't
24 answer my question, which is, how much of their

1 grants are actually funded by general funds versus
2 special purpose funds? If they're funded by
3 special purpose funds, they can't take it for this
4 general purpose, right?

5 MS. SCOTT: Are we talking about a wealthy
6 university with a large endowment, or are we
7 talking about --

8 MR. SMITH: No, we're not.

9 (Inaudible discussion.)

10 MR. SMITH: We can definitely run those
11 figures.

12 MS. HOLT: I'm wondering, I mean, they
13 say that's what's going to happen. I'm wondering
14 if they're going to let it.

15 CHAIRMAN MOONEY: I'm wondering, is there a
16 way to carve out the nursing school, or the -- this
17 particular building, or this particular program,
18 so that we don't run into the general issues?

19 MR. SMITH: With respect to the faculty of
20 the nursing program, you're saying?

21 MS. NEELY: Is there any precedent for that?

22 MR. SMITH: I mean, the statements they've
23 made to us are pretty sweeping about their faculty.
24 We could certainly inquire on that

1 line, but I strongly suspect the answer is going to
2 be that they need to reserve their right to apply
3 the religious test in hiring.

4 MS. NEELY: Tom, what do you think?

5 MR. TUNNEY: I mean, there's precedent
6 before. I don't know, I think we -- I think if we
7 did a policy for this, we would limit a lot of
8 funding projects moving forward. You know, I
9 just -- you know, I don't even -- the human rights
10 ordinance also includes gender identity, I think,
11 never mind orientation.

12 MS. NEELY: Again, with Salvation Army, we
13 asked them for concessions. I think it is -- in
14 terms of a policy, we should ask them.

15 Now, if they say no --

16 CHAIRMAN MOONEY: The problem is what are we
17 asking them for?

18 MS. HOLT: Well, did we ask for concessions
19 in the ministry sense?

20 MR. STEPHAN: No, ministry was always carved
21 out. It's just, again, as a percentage, it was low
22 enough where I think we got comfortable, and it was
23 truly ministry positions versus, you know, faculty
24 and staff, which may be different.

1 MS. SCOTT: A math teacher.

2 MS. HOLT: It's a religious university,
3 though. I don't know how different, I mean,
4 frankly, that is.

5 MR. SMITH: Part of the additional framework,
6 the Salvation Army did not define their facility in
7 a way that would qualify for 501(c)(3) bonds. This
8 facility is going to be financed with (c)(3) bonds
9 as well, so it's sufficiently secular for that
10 purpose.

11 Salvation Army said this whole
12 thing is a church. Even though to CDF and to the
13 neighborhood, it looked like a community center,
14 it was religiously affiliated. So that sort of
15 prompted the need to draw that line between
16 ministry and non-ministry.

17 MS. HOLT: But -- and the thing is -- I mean,
18 it's a little bit of a false representation there.
19 We're talking about ministry staff for the
20 Salvation Army who do -- who are project managers,
21 who are directors, who are doing administrative
22 functions, they're not just ministering.

23 MS. NEELY: But you're saying you want
24 them both, you want --

1 MS. HOLT: I'm not saying that. I have not
2 said that at any point in time, Stephanie. What I
3 said was, we're making a little bit of a false
4 distinction here.

5 And so if -- I just want to
6 understand what we said with respect to the
7 ministry staff, what we said with respect to
8 Salvation Army.

9 MR. SMITH: And what we said specifically
10 was no more than 20 percent of the staff shall be
11 ministry, and that non-ministry positions are
12 subject to this same covered employees concept.

13 MS. HOLT: Right.

14 MS. SCOTT: But we didn't say that at all in
15 Christ the King.

16 MR. SMITH: Correct.

17 MS. NEELY: So we've already changed our
18 policy. So Christ the King, just because it was
19 done not in the same way, the policy now is the way
20 that we did --

21 MS. SCOTT: Well, what happens if Christ the
22 King comes back and they request another loan?

23 MS. NEELY: We're going to do it the same way.

24 MS. SCOTT: We say no?

1 MS. NEELY: To Christ the King, no, we'll say
2 the policy has changed, and this is the way we're
3 doing it now.

4 It's very similar to what we see in
5 the Board's pension fund. That was that Board.
6 This is this Board. And so the policy has changed.

7 MS. HOLT: But I guess the question is what
8 is the policy? Because we gave exceptions to
9 Salvation Army. We gave exceptions to Salvation
10 Army that has some parallels to the faculty here,
11 right? This is not the ministry staff, they're
12 administrative staff. They run the place. And
13 there are some parallels there.

14 So I guess the question is, are
15 we giving exceptions here or are we not giving
16 exceptions here?

17 MR. STEPHAN: Just to clarify, the definition
18 of ministry positions in the Salvation Army, yeah,
19 is shall be defined to mean those positions whose
20 primary duties consist of engaging in church
21 governance.

22 Now, again, if they view the
23 community center as a church, what does that mean?
24 Supervising religious order or conducting or

1 supervising religious ritual, including prayer
2 meetings, worship instruction, or evangelistic
3 outreach.

4 MS. HOLT: And how is the (inaudible).

5 MR. STEPHAN: I don't know exact numbers, but
6 Tony's correct that they covenanted not more than
7 20 percent of any time their employees, full or
8 part-time employees would hold ministry positions.

9 MS. NEELY: So I think that one was
10 responsible. Again, we asked for the concessions,
11 restrict the ministry. And we asked for
12 concessions because it wasn't going to pass
13 otherwise. And they knew that.

14 MR. STEPHAN: They were fine, I think, with
15 the employment all along. The concessions came
16 with the rental of the facility, which, as Tony
17 points out, I think was viewed differently than
18 this facility in that it was viewed as much more
19 of a community center, and therefore a public
20 facility, than this educational building. So
21 there was much -- there was more of a focus,
22 understandably, I think, on the rental of that
23 facility.

24 MR. TUNNEY: As I said, is time of the

1 essence? I mean, you were talking about this
2 October 31st deadline. I mean, you were talking
3 about trying to have this discussion and make a
4 decision today.

5 MR. STEPHAN: CDF -- yeah, CDF does not
6 need the North Park University deal to meet its
7 October 31st thresholds. The timeline of the
8 North Park University project is such that they are
9 probably going to finalize their plan of finance in
10 the next two weeks with or without tax credits, and
11 then they'll make the adjustments internally with
12 the financial aid resources, at least that's what
13 they have represented, to fill the gap if CDF's not
14 in the deal.

15 So time is of the essence more just
16 for the project development as opposed to for
17 anything with CDF.

18 MS. NEELY: Did we do a phone poll for
19 Salvation Army? Didn't we --

20 MR. STEPHAN: Actually, there was a second
21 meeting very quickly after the first.

22 MS. NEELY: Okay. I know that -- I wasn't
23 sure if we did a phone poll or if we actually had a
24 meeting. But we can do a phone poll, can't we, if

1 we go back? We cannot? Okay.

2 No, I wasn't sure.

3 MR. HOLZRICHTER: We have to have an
4 in-person meeting.

5 MS. NEELY: Okay. So we can always have
6 another meeting about it.

7 CHAIRMAN MOONEY: So my concern is that if we
8 defer and we go back to the -- (inaudible).

9 MR. HOLZRICHTER: You have to do emergency
10 meetings. Well, we'd have to do emergency
11 meetings, but it has to be a live face to face
12 meeting. You can't rely on telephone.

13 CHAIRMAN MOONEY: So my concern is that if we
14 defer on this, that I don't know what we are going
15 back to add on the agreement.

16 MR. STEPHAN: I think, to put more color on
17 sort of the discussion with them, I think they're
18 looking for clarity more than anything else. You
19 know, will this be available? They'd very much
20 appreciate it. They're not claiming that they'll
21 go out of business if they don't receive the
22 assistance.

23 So if the Board determines they
24 can't get there, then they'll still be around

1 tomorrow, they'll still build the project, and
2 they'll understand.

3 It's, I think, a little less of a
4 sort of showdown situation than the Salvation Army
5 was.

6 CHAIRMAN MOONEY: And the bigger policy
7 question is that if we do this with North Park,
8 it will essentially, from my perspective, will
9 essentially exclude other religious projects from
10 this organization --

11 MS. NEELY: I'm sorry, but how do we get
12 there when we've got those funds, where we gave
13 the Salvation Army, and they weren't excluded?

14 CHAIRMAN MOONEY: If religious sponsored
15 organizations that have as wide a, perhaps a hiring
16 policy, which North Park does, which I think will
17 include Christ the King, we could go back to North
18 Park and say, okay, quantify. We can do that.

19 MS. NEELY: (Inaudible.)

20 CHAIRMAN MOONEY: Who are we talking about?
21 In the case of the Salvation Army, that's a clear
22 distinction. In the case of North Park --

23 MS. NEELY: I thought you said this
24 particular facility.

1 CHAIRMAN MOONEY: Oh. We're talking about
2 the nursing --

3 MS. NEELY: Right. For this facility.

4 CHAIRMAN MOONEY: Finance the facility?

5 MS. NEELY: Right.

6 CHAIRMAN MOONEY: We could try it, I suppose.

7 MS. NEELY: All they can say is no. I just
8 don't know how we don't say something.

9 MR. TUNNEY: That's what I'd like to know,
10 what, you know, the -- when you say faculty and
11 staff. I mean, I see the religious -- you know,
12 the teachers and whatever. But staff to me seems a
13 little bit more open. It should be more -- it
14 should be less discriminatory. I mean, if you're a
15 religious institution, you have people that are
16 teaching you. I mean, I can see that faith based,
17 but what does faculty and staffing? What is staff?

18 CHAIRMAN MOONEY: Yeah, right.

19 MR. STEPHAN: We've attempted to push them
20 on that issue, and we've basically said the same
21 thing, that logic would suggest that, you know,
22 secretarial staff, do they really need to be deeply
23 integrated with the church? And they said --

24 MS. NEELY: Like someone that's in the mail

1 room.

2 MR. STEPHAN: Yeah. And so far they've said
3 no, just janitorial and maintenance is what we can
4 live with.

5 But I do think if we're identifying
6 areas that might have some give, that's a good
7 candidate.

8 MS. NEELY: Yep. That's a place that
9 actually they could compromise on.

10 MR. LEON: Tony, did you say that they do
11 have very specific religious (inaudible).

12 MR. SMITH: Yes.

13 MR. LEON: And they could (inaudible). If
14 they eliminate asking the allegiance of the
15 potential (inaudible) --

16 MS. HOLT: Well, if they're -- I mean, from
17 their perspective they believe that they have a
18 mission and -- right? And particularly to those
19 that interact with students, because they feel
20 that's what --

21 MS. NEELY: But -- they can ask, but can they
22 discriminate on the answer?

23 MR. STEPHAN: Yes, as a religious --
24 (overlapping discussion).

1 MR. LEON: But they're basing their
2 discrimination --

3 (Overlapping discussion.)

4 MS. NEELY: By asking is not, so that's not
5 discriminatory. I'm asked my gender and my race,
6 it's not discrimination. It's if you use
7 information to discriminate.

8 MR. TUNNEY: Somehow I seem to get just
9 the instruction being taught at a religious
10 institution. This is any of the support staff,
11 right? You know. It just seems to me that might
12 be at least a good question to ask.

13 MS. SCOTT: Those specific roles not involved
14 in educating.

15 MS. NEELY: But can we ask them for that?

16 CHAIRMAN MOONEY: We can ask them for
17 anything. They can simply turn it down. But if we
18 do, it sets a new precedent for the Board, which I
19 find disturbing because --

20 MR. TUNNEY: Well, I see the consistency
21 when we go moving forward that we're at least not
22 discriminating by what we're asking moving forward.
23 That, you know, we understand you're a religious
24 institution, and you need to further that religious

1 cause, because you wouldn't be in business without
2 that cause --

3 MS. NEELY: But it's consistent with
4 Salvation Army by asking. So by not asking, in my
5 opinion, changes us back to what we did with Christ
6 the King. And so if we have a policy that we're
7 going to ask, and that's what we've done in this
8 most recent, then we need to continue the policy of
9 asking.

10 MS. SCOTT: But isn't the policy to
11 (inaudible). We can ask and they can say no.

12 MS. NEELY: But we don't have (inaudible)
13 because we asked the Salvation Army, and they gave
14 it to us.

15 MS. SCOTT: I think that they didn't give us
16 everything.

17 MS. NEELY: No, they didn't.

18 MS. SCOTT: What's different here?

19 MS. SANCHEZ: That's why we even asked for a
20 nondiscrimination, you know, covenant right now.
21 Now they -- without asking, we wouldn't have that.
22 So we actually had the conversation and, you know,
23 Tony didn't have that conversation. So the
24 conversation has started, but it sounds like you

1 may want to go one more step, which is that it's
2 not unreasonable to ask them if they would --

3 MS. NEELY: But the difference, the
4 difference is we asked the Salvation, the Board
5 directed staff to ask the Salvation Army. This is
6 staff doing it on their own. And I think there
7 needs to be a support direction to that. I think
8 that that is the difference, in my mind.

9 MS. HOLT: I think it's probably also a
10 cumulative effect that we as a Board need to keep
11 in mind about what are we doing? Are we generally
12 doing more good than evil? I don't know about
13 evil. As they're looking at it -- I'm just trying
14 to think it through in my mind.

15 93 percent of their students receive
16 grants from scholarship. 40 percent, 40 percent
17 come from households of \$34,000 a year, which I
18 would consider low income. They're training for
19 nursing programs, which we need in our community.
20 They're getting good jobs, high quality jobs.
21 We're talking about job creation for 15 jobs for a
22 Wal-Mart, and here we're trying to train people for
23 good jobs, \$48,000, \$52,000, \$52,000 a year, in
24 communities where we need them. So I think that

1 there's --

2 MS. NEELY: There's a lot of good. So that's
3 on the one hand. And all that is good. And all
4 I'm suggesting is to continue with the policy we
5 have of asking them to -- the Board asking, not
6 staff, with all due respect -- but having board
7 direction of saying this is our concern. They may
8 come back and say we're not giving at all. We gave
9 our best. And then we have a decision to make.

10 But to not give them the
11 opportunity, I don't think that's right.

12 MR. STEPHAN: And so it sounds like you're
13 articulating, Treasurer Neely, is a policy of
14 trying to maximize the envelope of non-
15 discrimination, essentially.

16 MS. NEELY: Yes.

17 MR. STEPHAN: And that would be to conserve
18 the policy of negotiation.

19 MS. NEELY: Right.

20 MR. STEPHAN: Which -- and specifically,
21 though, would be to try to expand the definition of
22 covered employees to include all positions other
23 than support staff.

24 MS. NEELY: The primary role is not, but ...

1 MR. STEPHAN: And then also to increase
2 the overlap --

3 MS. NEELY: Not involved in --

4 MR. STEPHAN: Kind of like --

5 MS. NEELY: -- the education of students.
6 And the student counselors. And social workers,
7 and (inaudible).

8 MR. STEPHAN: See, that's where they started
9 to respond to us where they said, well, the
10 secretarial staff does interact with our students,
11 and they do represent the university differently
12 than --

13 MS. NEELY: Well, how does the lawn guy?

14 MR. STEPHAN: Well --

15 MR. TUNNEY: And then social workers, excuse
16 me, but these kids need counseling. And they might
17 not know what their orientation is when they
18 arrive, you know. And I, you know, I don't want
19 someone to say, well, you need to be -- what's the
20 word? It's a better word for it.

21 MS. NEELY: Exercise?

22 MR. TUNNEY: No, but, you know, the ex-gay
23 movement or whatever the hell they call it now.
24 I'm just -- you know, I just -- I don't know if

1 I -- I mean, I just -- I know, I get the religion
2 part of it.

3 MR. STEPHAN: One specific anecdote that --
4 just since you mentioned that angle, they
5 specifically blocked a group called Exodus from
6 having a conference on campus in the last couple
7 years about -- that that organization's mission is
8 to, you know, cure homosexuality.

9 CHAIRMAN MOONEY: Well, the irony here is
10 that from a conventional religious perspective,
11 North Park (inaudible) religious institutions.

12 All right. It's getting very
13 late. My suggestion is that that we engage in
14 conversation with them, see how far we can push it,
15 and then either they'll say no -- well, whatever
16 they say, I think we should count on bringing this
17 Board back together again in a week or so. I'm
18 sorry to do that, but we need a little more time to
19 talk with staff. But I think we need -- we also
20 need more definition on the number of staff and how
21 the staff is delineated and so on. And I would
22 like to investigate to a certain extent whether we
23 can do a carve-out on the (inaudible).

24 MR. TUNNEY: You know, I'm just thinking of

1 the politics of this all, especially for the Mayor.
2 So is he -- is the Mayor -- you know, I mean, I
3 think, you know, with all due respect, I don't know
4 whose attorneys are representing who, but if this
5 gets out to be a bigger political issue, the Mayor
6 is on the hook, you know.

7 Two, is Corporation Counsel
8 completely versed in this field?

9 MS. SANCHEZ: They have been a part of the
10 conversation. They were part of the negotiation
11 with the Salvation Army as well.

12 MR. TUNNEY: Just so long as I'm --

13 MS. NEELY: Do we need a motion to table this
14 or --

15 CHAIRMAN MOONEY: No. I think the Chair will
16 move that we defer this until the time when we meet
17 again.

18 But I think the alderman's comment
19 is correct that what we're doing here is continuing
20 the discussion of North Park.

21 I think we do need to be careful
22 that we avoid another Chick-fil-A type of
23 discussion here where this thing gets out of hand
24 way too quickly.

1 MR. TUNNEY: You won't hear it from me. You
2 won't hear it from me on Chick-fil-A, either.

3 CHAIRMAN MOONEY: That was certainly not
4 directed to you, but just in general that we need
5 to be very careful on both religious and sexual
6 grounds because it will establish policy for CDF.
7 And that is a big concern of mine.

8 MS. NEELY: And can we just make sure race is
9 not in the mission?

10 MR. STEPHAN: Color.

11 MS. NEELY: Color. I'm sorry.

12 MR. SMITH: So essentially is that part of
13 the direction, to investigate the nuances between
14 the human rights ordinance and their own language?

15 CHAIRMAN MOONEY: Yes. That's actually the
16 best way to put that.

17 MR. LEON: Can I request that you communicate
18 to the Advisory Board your last statement that it
19 doesn't get out there to everybody?

20 CHAIRMAN MOONEY: I can tell them that. I
21 think we'll let that sleeping dog lay or lie.

22 Okay. And, Tracy, you'll work with
23 Tony to set up a new date to get together?

24 MS. SANCHEZ: Yes.

1 CHAIRMAN MOONEY: I'm sorry about that, but
2 this is an important issue.

3 Anything else, Tony, that we need
4 to go over?

5 MR. SMITH: No.

6 CHAIRMAN MOONEY: Okay. I appreciate it. Is
7 there a motion to adjourn?

8 MS. NEELY: Motion.

9 MS. SCOTT: Second.

10 CHAIRMAN MOONEY: Wait. I'm sorry. Rather
11 than motion to adjourn, is there a motion to recess
12 until a time certain?

13 MS. NEELY: Revised motion.

14 CHAIRMAN MOONEY: Okay. All those in favor
15 say aye.

16 (Chorus of ayes.)

17 CHAIRMAN MOONEY: Thank you.

18 (The hearing adjourned at
19 5:57 p.m.)

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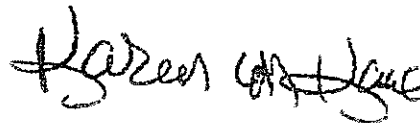
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1 STATE OF ILLINOIS)
2) SS:
3 COUNTY OF COOK)

4 I, Karen Kane, a Certified Shorthand
5 Reporter in and for the County of Cook and State of
6 Illinois, do hereby certify that I reported in
7 shorthand the proceedings of said hearing as
8 appears from my stenographic notes so taken and
9 transcribed under my direction.

10
11 IN WITNESS WHEREOF, I have hereunto set
12 my hand and affixed my seal of office at Chicago,
13 Illinois, this 29th day of October 2012.

14
15 
16

17 _____
18 Certified Shorthand Reporter
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